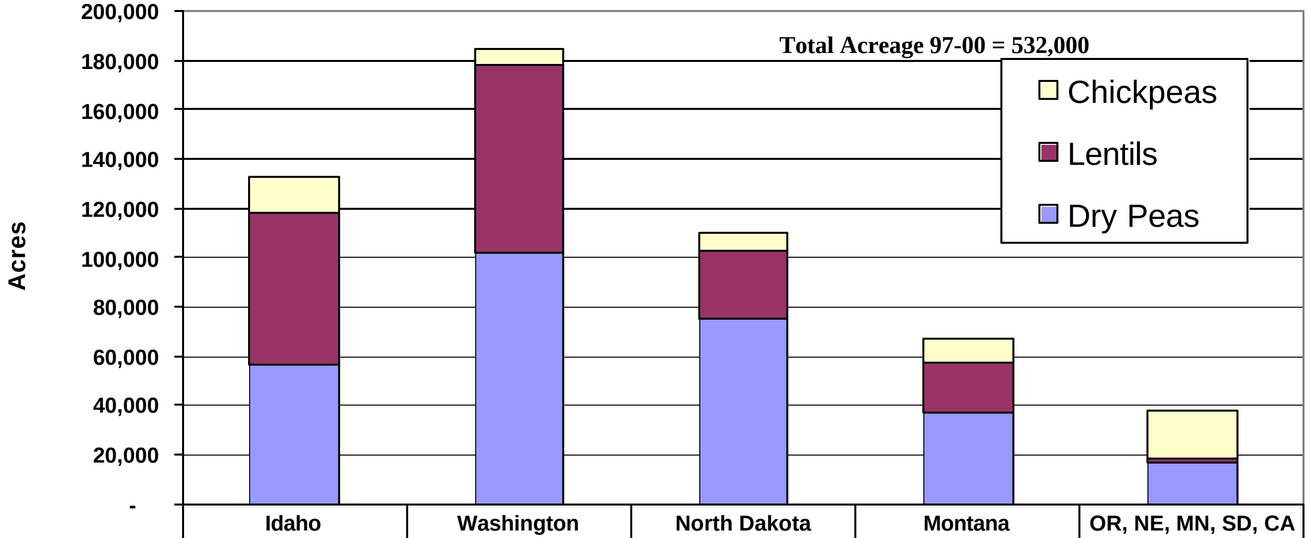
Statement of Jim Evans
Chairman
USA Dry Pea and Lentil Council
Before the House Committee on Agriculture
July 18, 2001

My name is Jim Evans. I am a fourth generation dry land farmer from Genesee, Idaho. I produce wheat, barley, dry peas, lentils and chickpeas on my farm. I am the Chairman of the USA Dry Pea & Lentil Council (USADPLC) – Grower Division. I would like to thank the Chairman and members of the House Agriculture Committee for the opportunity to appear before the Committee today.

The USADPLC is a grassroots organization that represents growers, processors and exporters of dry peas, lentils and chickpeas in the United States. Membership in our organization spans the Northern tier states of Washington, Idaho, Oregon, Montana, Minnesota, North and South Dakota, and also Arizona and Nebraska. These crops are grown on over 500,000 acres of land each year.

My statement today is a reflection of the USADPLC's desire to be included as a full and equal program crop in the 2002 farm bill. We seek inclusion in the farm program because our industry is facing the most difficult time in its sixty-year history. Historically low prices for the past three years are threatening the grower, processor and exporter infrastructure our industry has been developing since the 1940's.

Average U.S. Dry Pea, Lentil, Chickpea Acreage 1997-2000



	Idaho	Washington	North Dakota	Montana	OR, NE, MN, SD, CA
Chickpeas	14,450	6,200	7,060	10,350	19,075
Lentils	61,400	76,250	27,503	20,333	1,430
Dry Peas	56,800	102,250	75,303	36,667	17,002

Current Low Prices

Dry peas and lentils are facing historically low prices. Subsidized competition, trade sanctions, a strong dollar, the Asian flu, and favorable weather patterns for our competitors have sent our pea and lentil prices to the basement for the past three years. Since 1996 dry pea prices have dropped 49%, lentil prices 42% and chickpea prices 25%. This dramatic price decline has forced farmers to shift acreage into program crops that have a safety net, such as wheat, barley and oilseeds. Production of dry peas, lentils and chickpeas will continue to decline if these crops are not included in the 2002 farm bill.

Uniquely Situated Crops

Dry peas and lentils are an eligible flex crop under the current farm program and face the same market volatility as current program crops without the benefit of a safety net in periods of low prices.

One of the positive outcomes of the 1996 FAIR Act was increased planting flexibility. The USADPLC fought hard to include dry peas and lentils as an eligible crop under the 1996 Farm Bill. In fact, dry peas, lentils and mung beans were the only so-called fruits and vegetable crops that were eligible to be planted on contracted acres without penalty Under Subtitle B, Section 118 of the 1996 FAIR Act. We asked to be included as an eligible crop because we believed that farmers needed to have planting flexibility to respond to market signals and maintain a good crop rotation. Every crop our membership can grow effectively is a program crop, except for dry peas, lentils and chickpeas. Our crops are subject to the <u>same</u> price volatility as the program crops, <u>without</u> the safety net to assist us when times are tough.

Acreage Shifts

Due to this unique situation, our industry is watching farmers choose to grow crops that are eligible under the Marketing Loan Program instead of growing pulse crops. This is most evident with the acreage shift in the Pacific Northwest region. In the Upper Midwest, although our acres have expanded by approximately 89,000 acres since Freedom to Farm, we believe this acreage expansion would have been five-fold – similar to the expansion of minor oilseeds like sunflower and canola – if we would have had a marketing loan program like the other crops.

Farmers in the Pacific Northwest (WA,ID,OR) have been raising dry peas, lentils and chickpeas since the 1940's. These legume crops have become an important part of our crop rotation and rural economic development. Almost every dry pea, lentil and chickpea is cleaned, sized, bagged and put into a container or boxcar at a rural processing facility. We estimate that our industry pumps over $100 million dollars into the rural economy of the Pacific Northwest. The pea and lentil industry provides needed jobs in depressed rural communities. The dry pea, lentil and chickpea industry competes with spring wheat, spring barley and spring canola for acreage.

The table below shows that our industry is losing the fight for acreage in the Pacific Northwest. Since the 1996 Farm Bill, acreage has shifted away from legumes into spring wheat and canola. Agriculture loan officers are encouraging farmers to cover their risk by planting a program crop. <u>Many growers are reporting that bankers are refusing to loan money to plant dry peas and lentils because it does not have a Marketing Loan Program.</u> The USADPLC estimates that the acreage shift to Spring Wheat and Canola in the PNW has increased Loan Deficiency Payments by over $3.0 million. Prices are low for all of these commodities. The difference is our industry does not have a safety net in periods of low prices. The importance of establishing a safety net for our crops is critical to the short and long term health of the entire dry pea, lentil and chickpea infrastructure.

Pacific Northwest Spring Crop Acreage Shift Since 1997

Crop Year	Spring Wheat	Spring Barley	Canola	Peas, Lentils Chickpeas
1997	204,600	433,400	11,718	362,701
1998	264,900	445,000	19,969	312,600
1999	351,600	391,000	35,422	317,200
2000	371,800	387,300	46,626	278,100
Acreage Shift	***167,200***	***(46,100)***	***34,907***	***(84,601)***

Increased wheat & canola LDP cost $3,159,838

In the Upper Midwest, dry pea, lentil and chickpea acreage increased due in part to the increased planting flexibility in 1996 Farm Bill, however, the acreage shifts clearly favored the program crops with the largest support payments. Acreage shifted out of spring wheat and barley and into minor oilseeds and soybeans. Dry peas, lentils and chickpeas are at a disadvantage to those crops that have a Loan/LDP program. The truth is, in today's climate, dry pea, lentil and chickpea growers wish they could raise oilseeds. Unfortunately, soybeans are a warm season legume and don't work well in the areas that grow dry peas or lentils. North Dakota has seen a huge increase in soybean production primarily in the southeastern portion of the state.

North Dakota, Montana Spring Crop Acreage Shift Since 1997

Crop Year	Spring Wheat	Spring Barley	Minor Oilseeds	Soybeans (ND)	Peas, Lentils Chickpeas
1997	16,100,000	3,650,000	1,786,880	1,150,000	111,527
1998	13,950,000	3,350,000	2,680,000	1,550,000	196,257
1999	13,860,000	2,650,000	2,569,000	1,350,000	169,100
2000	13,880,000	3,150,000	2,905,300	1,900,000	200,800
Acreage Shift	***(2,220,000)***	***(500,000)***	***1,118,420***	***750,000***	***89,273***

Legumes Add Nitrogen and Improve Soil, Water and Air Quality

Dry peas, lentils and chickpeas are grown in rotation with wheat, barley and minor oilseeds. These legume plants require no nitrogen or phosphate fertilizer. In fact these legumes fix nitrogen in the soil. They also help break weed and disease cycles in cereal grains like scab and foot rot. These legumes also play an important role in accomplishing conservation goals. They are vital component of a no-till/direct seed/minimal till cropping system that vastly improves soil, water and air quality. In addition, these legumes reduce the need for stubble burning. Field burning has become a major environmental problem in the Pacific Northwest as farmers plant more spring wheat instead of a legume crop. It is important that growers have the option to include these environmentally friendly legumes in their crop rotation. Unfortunately, the current agricultural crisis is forcing farmers to move away from a sound crop rotation that includes legumes in favor of program crops with a safety net.

Comments on Draft Farm Bill Concept Paper

Our organization supports being included and equitably treated with other "program" crops in the next Farm Bill. Without inclusion of safety net provisions for peas, lentils, and chickpeas, pulse acreage will continue to decline, and our industry's infrastructure will be unfairly affected by federal farm policies.

Dry peas and lentils are eligible "program crops" in terms of there being no prohibition for planting on program crop acres. However, the concept paper does not take the next step and put pulses on an equal footing with other program crops that are eligible for marketing loans, fixed payments, and the counter-cyclical target price program. By not authorizing a pulse crop safety net, the concept paper would accelerate the current shift of acreage out of pulses as previously stated. USADPLC feels that most farmers' gross income under the concept paper will not be dramatically affected – just that farmers will continue to receive LDPs in times of low prices for crops that are currently loan-eligible, rather than for dry peas, lentils, and chickpeas.

Despite not being presently included in the provisions of the concept paper, our crops would otherwise fit into the mold of the draft paper: USADPLC has specific proposals for establishing loan rates for our crops and a decoupled fixed payment, and could easily determine the appropriate "target prices."

Finally, we believe pulse crops should be included in the proposed loan and fixed payment programs because of their positive nitrogen fixing and rotational benefits. The concept paper's continuation of the status quo loan program – even with the proposed reduction of loan rates for oilseeds – will continue to discourage farmers from growing pulse crops.

RECOMMENDATIONS

Non-Recourse Marketing Loan/LDP for Dry Peas, Lentils and Chickpeas

The USA Dry Pea & Lentil Council supports the inclusion of a Non-Recourse Marketing Assistance Loan Program for dry peas, lentils, and chickpeas in the 2002 Farm Bill. The Marketing Loan for these legumes should be equivalent to the other crops in the program. We support establishing the marketing loan rates for these crops as follows:

Marketing Loan Rate Calculation

Crop	Five Year Olympic Avg. Price-1996-2000	Estimated Loan Rate (85% of 5 yr avg.)	Minimum Loan Rate (USADPLC Proposed)
Dry Peas (Feed Prices)	6.84/cwt.	5.81/cwt	$5.83/cwt. (3.50/bu.)
Lentils (US #3)	$13.05/cwt.	$11.09/cwt.	$11.00/cwt.
Large Chickpeas (Kabuli) (over 20/64ths sieve)	$21.96/cwt.	$18.66/cwt.	$15.00/cwt.
Small Chickpeas (Desi) (under 20/64ths)	$9.23/cwt.	$7.84/cwt.	$7.00/cwt.

Dry Pea Loan Rate**:** The USADPLC supports establishing the dry pea loan rate based on feed peas with a minimum loan rate of $5.83/cwt. ($3.50/bu.). An increasing portion of U.S. dry pea production is being sold into the animal feed ingredient market. Dry peas offer an attractive blend of protein, energy and essential amino acids (i.e. lysine & phosphorus). Based on the relative feeding value of dry peas to corn and soybean meal in swine rations, and the current corn and soybean loan rates, the USADPLC calculated the feed pea loan rate at $5.83/cwt ($3.50/bu.) At present the USDA only publishes prices for U.S. No. 1 Grade Green, Yellow and Austrian Winter Peas. However, the USDA does purchase U.S. No. 2 peas for the P.L. 480 program. Using P.L. 480 historical price data and average quality discounts we were able to establish a feed pea loan rate based on 85% of the five year Olympic average.

Lentil Loan Rate**:** The USADPLC supports establishing the lentil loan rate based on U.S. No. 3 grade lentils with a minimum loan rate of $11.00/cwt. The USDA buys U.S. No. 3 grade lentils under the P.L. 480 program.

Chickpea Loan Rate**:** The USADPLC supports establishing two chickpea loan rates. The loan rate for large chickpeas (kabuli types) would be based on a U.S. #1 chickpea that stays on top of a 20/64ths round-hole sieve with a minimum loan rate of $15.00/cwt. The loan rate for small chickpeas (desi types and others) would be based on U.S. #1 chickpeas that fall through a 20/64ths round- hole sieve with a minimum loan rate of $7.00/cwt.

	A	B	C	D	
Commodity	Nat'l Loan Rate ($/cwt.) Proposed Minimum	March 2001 Price ($/cwt.)	LDP Rate (A-B)	**10 year Avg. Prod. (lbs.)** *2000 Prod.	**Total LDP Feb. 2000** (C x D)
Dry Peas (Feed)	$3.50/bu.($5.83/cwt.)	**$3.81/cwt.**	**$2.02/cwt**	**362,844,296**	$7,329,454
Lentils (US#3)	$11.00/cwt.	**$9.00/cwt.**	**$2.00/cwt**	**217,383,339**	$4,347,667
Chickpeas (Large)*	$15.00/cwt.	**$22.00/cwt.**	**$0.00/cwt.**	**94,877,844**	$0
Chickpeas (Small)*	$7.00/cwt.	**$9.97/cwt.**	**$0.00/cwt.**	**1,800,000**	$0
Total Legume LDP					**$11,677,121**
Minus Wheat/Canola LDP Savings					*$3,159,838*
Total Est. Cost					**$8,517,283**

Production statistics from the 2000 USA Dry Pea & Lentil Council Production Report

Establishment of a Marketing Loan/LDP program will allow growers to respond to market conditions while taking into consideration a sustainable crop rotation. Without this marketing loan/LDP program growers will continue to shift out of these legumes because it does not provide a safety net in periods of low prices.

Fixed Decoupled Payments for Dry Peas, Lentils and Chickpeas

The USADPLC supports being included and treated equally with other program commodities in a continuation or reformulation of PFC-type payments in the next farm bill. USADPLC recommends that the next Farm Bill include a guaranteed payment for dry peas, lentils and chickpeas equal to the value of these commodities compared to other commodities receiving a PFC payment. We support the 1999 AMTA payment as a baseline. We estimate that our crops would increase the AMTA baseline by $15 million dollars.

Dry Pea, Lentil and Chickpea PFC Payment Calculation

Total Value of Dry Peas, Lentils & Chickpeas	Total Avg. Value of AMTA Crops (96-00)	Dry Pea, Lentil and Chickpea value as a % of AMTA Crops	AMTA Baseline 1999	**Dry Pea, Lentil and Chickpea AMTA Payment** (Estimated**)**
$142,000,000	53.056 Bil	.2676%	$5.6 Billion	**$15 Million**

Counter-Cyclical Program

The USADPLC supports including dry peas, lentils, and chickpeas in any new counter-cyclical safety net program. The USADPLC board supports replacing ad hoc emergency economic assistance payments, which have not included assistance to pulse crops, with a counter-cyclical income support program. After three years of improvisation, pulse growers need longer-term assurances that a safety net is in place to protect against low prices and income.

We propose a program that would offset any shortfall in the national gross return per acre for a crop from the Olympic average national gross return per acre for the crop during the 1993-1997 period. Gross return per acre is defined as the higher of the season average price or the loan rate for the crop, multiplied by national production, divided by national harvested acreage.

Summary of Commodity Title Recommendations

I would like to thank the Committee for the opportunity to appear here today and listen to the concerns of our industry. The USADPLC feels it is necessary for our commodities to be included as a full and equal program crop in the 2002 farm bill. Dry pea, lentil and chickpea farmers need the farm program safety net to weather periods of low prices and maintain a viable industry infrastructure. We strongly support being included and treated equally in the marketing loan/LDP and counter-cyclical payment programs. We also support an economic/market loss payment of $20 million to offset the affects of low prices and U.S. trade sanctions and restrictions that have cost our industry needed markets

We stand ready to assist you in any way we can. This concludes my remarks. Attachment A is our recommendations for other titles in the farm bill we feel need to be considered in the 2002 Farm Bill to assist our industry and benefit U.S. Agriculture.

I would be happy to answer any questions you may have.